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MESSAGE FROM THE CHAIR TO THE MINISTER RESPONSIBLE



David R. Podnurny
Chair

I am pleased to present the Annual Report for B.C. Pavilion Corporation (PavCo) for the year ended March 31, 2008.

PavCo's mandate is to increase economic benefit to British Columbia through the operation of British Columbia's premier event facilities: BC Place Stadium (BC Place) and the Vancouver Convention & Exhibition Centre (VCEC).

Over the past year, PavCo's facilities were occupied at close to capacity during their peak show seasons. At the same time, forward bookings continue to show strength in spite of the weakening US economy and the high value of Canadian currency versus the US dollar. Total revenue for Fiscal 2007/08 from ongoing operations exceeded budget and was the highest ever recorded for PavCo, with the occurrence of several unbudgeted sporting and convention events and increased client spending. Operating costs have risen this year with preparations underway for opening the expansion of the VCEC, as well as preliminary planning work for major upgrades to BC Place.

The number of conventions held at the VCEC was higher than in recent years and on target with expectations. Most major corporate performance targets were exceeded, and the number of non-resident delegate days, along with the resulting benefits generated to the economy, were only marginally below forecasted.

Labour shortages are affecting our business in all areas, especially for trades and part-time event staff. Although there has been no significant effect on service delivery and customer satisfaction ratings so far, labour shortages will continue to be an issue with close to full employment in British Columbia and an increasingly mobile workforce.

Completion of the VCEC expansion, which is now less than a year away, will change the way we conduct business at our facilities. Following the opening of the expansion in 2009, the combined facility will offer a total of nearly 500,000 square feet of function space. An increasing inventory of convention and exhibition space worldwide has led to competing facilities offering significant incentives to attract new business, and at the same time, show organizers continue to pursue increased value at their events. In order to aggressively position the VCEC in the market and to increase occupancy and financial return to the Shareholder, a new Chief Executive Officer has been engaged this year, tasked to oversee an aggressive sales and marketing plan and to implement cultural shifts within the organization.

"PavCo's mandate is to increase economic benefit to British Columbia through the operation of British Columbia's premier event facilities."

Both BC Place and the VCEC will be key venues for the 2010 Olympic and Paralympic Winter Games. PavCo continues to work with clients and VANOC to ensure that as many ongoing events as possible can be accommodated before and after the Olympics with minimal disruption to business.

BC Place, which is now 25 years old, will undergo a multi-year retrofit commencing in 2008. The retrofit will include improvements to customer service areas and seating areas, as well as development of the surrounding lands. Replacement of the roof is scheduled for 2010.

The Bridge Studios, a film studio located in Burnaby, was sold in May 2007. Originally built to support and grow the provincial film business in British Columbia, it has met these needs and achieved this purpose, and was no longer core to PavCo's mandate.

On behalf of the Board of Directors, I wish to thank the Minister of Tourism, Sport and the Arts, management and staff for their contribution to the results of this past year and to the continued success of PavCo.

ACCOUNTABILITY STATEMENT

The 2007/08 PavCo Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act, and the BC Reporting Principles. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information reflects the actual performance of PavCo for the 12 months ended March 31, 2008, in relation to the February 2007 Service Plan. The measures presented are consistent with PavCo's mandate, goals and strategies, and focus on aspects critical to PavCo's performance.

I am responsible for verifying that internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of May 22, 2008, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate, direction, goals, strategies, measures or targets made since the release of the February 2007 Service Plan and any significant limitations in the reliability of data are identified in the report.



David Podmore
Chair of the Board

ORGANIZATIONAL OVERVIEW

Corporate Summary

PavCo has developed a reputation for excellence in the marketing and management of public facilities. Through its operations and activities, PavCo contributes to the growth of the tourism industry, as many out-of-town clients travel throughout British Columbia after attending events at its facilities.

PavCo operates BC Place Stadium (BC Place) and the Vancouver Convention & Exhibition Centre (VCEC), both of which are located in downtown Vancouver. PavCo's facilities are operated to realize maximum economic benefit while optimizing financial performance. BC Place is owned and operated by PavCo, and the VCEC is leased from Canada Place Corporation, a Federal Government Authority.

The VCEC was developed to generate economic benefit for British Columbia, and is the provincial flagship for conventions. Its mandate is addressed by generating direct spending among event organizers and delegates, promoting trade and investment, and acting as a showcase for British Columbia products and services – thereby positioning the Province as a centre for professional development and business activity. The VCEC also leads initiatives to generate convention business throughout the Province.

BC Place was designed as a multi-purpose facility and is the largest indoor gathering place in British Columbia. It provides support to industry as a venue for trade and consumer shows, while also being a major sports and entertainment centre - thereby serving key community and provincial functions.

PavCo will operate the expansion of the VCEC, which is scheduled for completion in early 2009. Transitioning over to these future operations, PavCo amalgamated with the Vancouver Convention Centre Expansion Project Ltd. on April 1, 2008.



BC Place



VCEC

As a facility operator, PavCo contracts many event functions to third parties in order to achieve the most effective service delivery model. The most significant contracts are with Servomation Inc., which provides food services at both BC Place and the VCEC.

As a customer-driven organization, PavCo continuously measures the satisfaction of clients and guests at its facilities. This includes rating satisfaction of the sales process, the services provided and the overall experience that patrons have enjoyed while visiting the facilities. The results are monitored and acted upon promptly, as PavCo's long-term reputation within the event business could be at risk if left unattended.

Principal stakeholders of PavCo include the Provincial Government, businesses and associations representing the tourism and hospitality industry, clients renting space for events, suppliers of goods and services to events, and the public attending events.

In May 2007 on the instruction of the Shareholder, PavCo sold the Bridge Studios, a film studio in Burnaby, British Columbia, as the Bridge Studios was no longer core to PavCo's business model.

PavCo's Vision, Mission and Values can be referenced at <http://www.bcpavco.com/index.html>.

Enabling Legislation

B.C. Pavilion Corporation is a British Columbia corporation incorporated in 1984 under the *Company Act* of British Columbia, continued under the *Business Corporations Act*.

B.C. Pavilion Corporation registered "PavCo" as a business name under the *Partnership Act* (British Columbia) on September 23, 1999.

There are also a number of other statutes relevant to B.C. Pavilion Corporation – the most significant being the *British Columbia Enterprise Corporation Act*, which names it an agent of the government, binds it by the same laws as the government, and gives it the same immunities as the government.

CORPORATE GOVERNANCE

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives set out by the Provincial Government.

Governance matters are communicated to the Board through the Shareholder's Letter of Expectations. This letter is an agreement of the respective roles and responsibilities of each and serves as the basis of agreement between the Shareholder and PavCo, including the high-level performance expectations, public policy issues and strategic priorities.

The Shareholder's Letter of Expectations between the Shareholder and PavCo, against which progress is being reported herein, was signed in 2006 and is located on the PavCo website at www.bcpavco.com.

PavCo's Board is comprised of the following members:

David Podmore (Board Chair)	
Mark Andrew	Derek Brindle
Peter Brown	Bob Bryant
Susan Gomez	John Horning
Daniel Jarvis	Miriam Kresivo
Terry Lyons	Grant Ritchie

Biographies of the Board Members are published on PavCo's website at www.bcpavco.com/team.html



"Governance matters are communicated to the Board through the Shareholder's Letter of Expectations."

The Board has six Standing Committees:

Committee	Members	Role
Audit	John Horning Dan Jarvis Terry Lyons	Oversee the financial reporting process. Review financial statements, audit plans, reports and controls with Auditors.
Finance	Peter Brown Mark Andrew Miriam Kresivo	Monitor financial policies, reporting, conflicts of interest, financial budgets, forecasts, risk management and other related matters.
Construction and BC Place Futures	David Podmore Derek Brindle Peter Brown Terry Lyons Grant Ritchie	Monitor the construction process, the transition to the operational phase and the integration of the VCEC and its expansion. Oversee the planning and implementation process for refurbishment and upgrades to BC Place.
Corporate Governance and Reorganization	Miriam Kresivo John Horning Terry Lyons	Monitor governance, Board effectiveness, staffing, compensation issues and the implementation of all structural changes to the organization.
Marketing	Susan Gomez Mark Andrew Bob Bryant Daniel Jarvis	Advise on the overall direction and development of the sales and marketing process for the organization.
Communications	Bob Bryant Mark Andrew Susan Gomez Daniel Jarvis	Monitor and advise on effective external communications policies and protocols for the organization.

All Committees review and develop policy in their specified areas and make recommendations to the Board. The Board of Directors has a monthly meeting schedule, prepared in advance of each calendar year, and the Committees meet as needed.

The Board of Directors adheres to the governance principles of the Crown Agency Accountability System and the Board Resourcing and Development Office's Best Practice Guidelines for governance and disclosure requirements. The Government's Best Practice Guidelines can be referenced at www.lcs.gov.bc.ca/hrdo/governance

The principles included in the Provincial Government's Governance Framework provide an understanding of the roles and responsibilities for all parties that are part of the Crown Corporation Governance Environment:

- stewardship, leadership and effective functioning of the board
- clarity of roles and responsibilities
- openness, trust and transparency
- service and corporate citizenship
- accountability and performance
- value, innovation and continuous improvement

Additional information on Board members and Board policies is available on PavCo's website at www.bcpavco.com/resources.html

PavCo's senior management team is comprised of the following Divisions and staff:

Corporate Services

Warren Buckley, President and Chief Executive Officer

John Harding, Chief Financial and Operating Officer, Corporate Secretary

BC Place

Howard Crosley, General Manager

Brian Griffin, Director, Operations

Graham Ramsay, Director, Business Development

Bob Starkey, Director, Business Administration

VCEC

Vic Johnston, Vice President, Business Administration

Claire Smith, Vice President, Sales and Marketing

Catherine Wong, Vice President, Operations

"Known for their leadership in the exhibition, trade, meeting and event industries, our Management Teams have a genuine commitment to excellence and a global perspective on what our local, national and international clients need."

www.bcpavco.com

REPORT ON PERFORMANCE

PavCo completed Fiscal 2007/08 with record revenues from its ongoing operations. Although the revenue targets for Fiscal 2007/08 set in the 2007/08 to 2009/10 Service Plan originally forecasted a decline in revenues – predicting fewer events during the year – additional unbudgeted spectator events occurred at BC Place and several events generated higher revenues than expected at the VCEC. Corporate performance targets were all achieved or are close to being achieved, and the facilities operated at close to capacity during the peak seasons. A program is now underway to develop new events for the shoulder seasons.

PavCo generated \$235 million in economic benefits from its ongoing operations during Fiscal 2007/08, compared to a target of \$241 million and Fiscal 2006/07 benefits of \$264 million. At BC Place, the benefits were comparable to both target and prior year results, due to the occurrence of some high-profile spectator events. At the VCEC, as anticipated, the results were lower than for Fiscal 2006/07, due to the occurrence of one exceptionally large event in that year with global attendance, which did not re-occur in Fiscal 2007/08. However, benefits were close to target, with a larger number of mid-sized conventions occurring during the year.

PavCo continues to aggressively market the expansion of the VCEC, which is scheduled for construction completion in early 2009. Confirmed bookings for the expanded facility are close to meeting the original targets through 2012. The VCEC is developing an aggressive sales and marketing plan that will target new non-resident business for future years and will further increase occupancy in the opening years. The booking cycle for many international conventions is several years in advance of the event, so bids are being prepared for events through 2020.



Challenges to future event business at the VCEC continue to include increasing client expectations for discounts and incentives, competition from new and expanding facilities in other markets, and the strength of the Canadian dollar. However, these challenges are being offset by the interest generated by expansion, the VCEC's reputation for service excellence, and the attractiveness of Vancouver and British Columbia to increasingly selective delegates. The VCEC will broaden its marketing program to include a more aggressive presence in the key European and Asian markets.

Similar to other facilities worldwide, market rental rates at BC Place and the VCEC are such that revenues from operations are insufficient to cover operating and capital expenses. The resulting shortfalls are covered by an annual contribution from the Ministry of Tourism, Sport and the Arts, and represent a small proportion of the overall economic benefits generated.

PavCo directly, and through its contracts, engages over 1,000 persons at its facilities to provide services to guests. Many of these employees work on a part-time basis, as their employment hours are based on event schedules. At BC Place in particular, it is becoming increasingly difficult to recruit and retain event staff on a long-term basis due to the changing work schedules at certain times of the year and low unemployment levels. Management is working with the union at BC Place and with suppliers to recruit new part-time staff.

PavCo has rephrased and revised certain goals, performance measures and targets since publication of the 2006/07 to 2008/09 Service Plan. Appendix 1 provides additional information regarding the comparison of new and prior performance measures and the sources of data for the measures.

Strategic Goals

PavCo has the following four strategic goals:

1. Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder.
2. Maintain and increase client services and satisfaction.
3. Maintain and improve the facilities under our management.
4. Increase innovation, learning and growth in our workforce.

Performance Measures and Targets

Goal 1 – Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder.

We strive to achieve our mandate, which is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. The events held at our facilities support British Columbia's business and leisure tourism industry, as well as its trade development infrastructure. Our clients and guests from out-of-province fill hotel rooms, patronize provincial businesses, and conduct pre- and post-event activities throughout the Province.

PavCo also strives to meet its financial targets each year to ensure financial sustainability and to minimize its reliance on Shareholder funding. Client expectations and competition from other venues is causing downward pressure on revenues, while our ageing facilities and external challenges are creating an upward pressure on costs. It is important for PavCo to maximize private sector revenue and to use the funding provided in the areas most likely to generate long-term economic benefits to British Columbia and profitability to the organization.

Key Strategies

Improve the return to the Shareholder on its investment in PavCo's facilities, primarily through: creating a compelling vision and model for marketing the expanded VCEC⁽¹⁾

- seeking events from out-of-province that will generate the maximum amount of economic benefits to the community
- pursuing global markets for long-term growth⁽¹⁾
- seeking and creating high-profile events that will promote growth and support for British Columbia's business base
- diversifying markets to stabilize long-term business
- repositioning our facilities as being more flexible to users
- increasing operational efficiencies

⁽¹⁾ These two actions were not originally included in the 2007/08 to 2009/10 Service Plan, and were added in the most recent Plan as part of a more comprehensive explanation.

MEASURE					
Compare economic benefits generated (in \$millions)					
Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan) Note: See Appendix 1 for Explanation of Measurement of Future Performance.	
2005/06	2006/07	Target	Actual	2008/09	2009/10 ⁽ⁱ⁾
Economic impact from out-of-province visitors					
VCEC ⁽ⁱⁱ⁾					
\$202	\$242	\$220	\$213	\$259	\$361
BC Place ⁽ⁱⁱⁱ⁾					
\$33	\$22 ^(iv)	\$21	\$22	\$19	\$14
Bridge Studios ^(v)					
\$246	\$240	\$-	\$40	N/A	N/A
Offset by: PavCo net cost \$5.2 ^(vi)					
	\$4.6	\$8.4	\$0 ^(vi)	\$19.4	\$21.8
⁽ⁱ⁾ Targets for Fiscal 2009/10 do not include projected benefits from the 2010 Winter Olympic and Paralympic Games, as these benefits will be recorded elsewhere by Government. ⁽ⁱⁱ⁾ Forecasts for Fiscal 2008/09 at the VCEC are higher than the results for Fiscal 2007/08 due to a higher number of non-resident delegates attending events at the facility. Benefits will further increase in Fiscal 2010/11 following the opening of the VCEC expansion. ⁽ⁱⁱⁱ⁾ Economic impact for BC Place for Fiscal 2007/08 has been calculated by a third party consultant based on the events that have occurred at the facility. The target for Fiscal 2008/09 is based on anticipated events for that year. ^(iv) Out-of-province spending for BC Place for Fiscal 2006/07 was previously reported at \$28 million but has been restated to \$22 million for comparison purposes—as a result of using the BC Stats Input/Output model commencing Fiscal 2007/08. ^(v) Bridge Studios was sold in May 2007. No economic impact was budgeted for the facility. Benefits for the two months to May 31, 2007 are based on management's estimate, as compared to the results for Fiscal 2006/07. As the facility has been sold, no economic impact for the facility has been reported in the consolidated total of ongoing operations in the Report on Performance. ^(vi) PavCo's net cost includes capital expenditures, but is before depreciation and third party contributions. In Fiscal 2007/08, PavCo generated a positive contribution of \$26.2 million; therefore, there was no further requirement for a cash subsidy.					

MEASURE					
Compare economic benefits generated (in \$millions)					
Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10
Gross domestic product from events at the VCEC					
\$60	\$83 ⁽¹⁾	\$71	\$69	\$84	\$116
⁽¹⁾ VCEC economic output and GDP in Fiscal 2006/07 were higher due to several very large events hosted in that year.					

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10
Economic impact from all spending from events at BC Place					
N/A ⁽¹⁾	\$58	\$58	\$63	\$51	\$37
⁽¹⁾ There is no comparative economic impact information available for Fiscal 2005/06.					

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10
VCEC direct delegate spending, with an allowance for direct exhibitor spending					
\$79	\$103	\$93	\$88	\$108	\$166
Economic impacts are calculated based on: surveyed or estimated expenditures by organizers and visitors at events in our facilities; subsequent spending in the Province following the event; the multiplier effect through the economy of such spending. Actual results for Fiscal 2007/08 were prepared in April 2008. Estimates for future years have been prepared by PavCo management based on anticipated attendance and activity at the facilities. PavCo generated an estimated \$235 million in economic impact from out-of-province visitors through activities in its ongoing operations during Fiscal 2007/08 – compared to a target of \$241 million and Fiscal 2006/07 actual results of \$264 million. The economic impact of \$213 million generated from activity at the VCEC was \$7 million less than the Fiscal 2007/08 forecast and \$29 million less than the Fiscal 2006/07 results, primarily due to lower numbers of non-resident delegates attending events. Economic impact and direct delegate spending will increase in Fiscal 2008/09 due to a higher number of non-resident delegates visiting the VCEC, and will further increase in Fiscal 2009/10 following the opening of the VCEC expansion.					

Unlike many other convention centres, the VCEC calculates only the economic impact that arises from non-resident delegate and organizer spending rather than overall spending by both local and non-resident delegates.

The VCEC compares favourably with Canadian, US and international centres when adjusted for the size of rentable space. Metro Toronto Convention Centre (576,000 sq. ft.) reported total direct expenditures of \$72 million (per 2006 Annual Report), and the Washington State Convention Center (306,000 sq. ft.) reported out-of-state delegate spending of \$287 million (per 2007 Annual Report).

In Fiscal 2007/08, BC Place generated \$63 million in economic impact from all spending, surpassing the forecast by \$5 million and higher than the total for the prior year. BC Place benefitted from a BC Lions playoff game, as well as Whitecaps soccer, the Boccia World Cup event, and a new consumer show.

MEASURE

Subsidy for the facilities, including capital (before depreciation) in \$millions

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10
VCEC					
\$2.5	\$2.3	\$3.7	\$2.6	\$5.0	\$2.6
BC Place					
\$4.2	\$4.2	\$4.3	\$5.4	\$4.3 ⁽¹⁾	\$3.2 ⁽¹⁾

⁽¹⁾ In addition to the provincially contributed operating subsidy, BC Place will also fund capital improvements through internal sources of \$10 million in 2009 and \$15 million in 2010.

PavCo strives to retain the lowest subsidy levels possible at the VCEC and BC Place, while investing adequate resources to maintain the highest possible economic impact. The subsidy level at the VCEC will increase as a result of marketing initiatives for the expansion, and through preparations for operating the expanded facility.

At BC Place, there is close to full occupancy during the main show season, but limited demand for space in the quieter summer months, resulting in an operating deficit.

The subsidy for Fiscal 2007/08 at the VCEC was lower than forecast as a result of increased event activity during the year.

The subsidy for BC Place was \$1.2 million greater than the target as a result of \$2.1 million expenditures on retrofit related consulting and engineering costs. These renovation expenditures include studies for roof replacement options and other building improvements that will extend the life of the asset for many years. Excluding these renovation related costs, the facility subsidy would have been \$3.3 million for a \$0.9 million positive variance.

MEASURE

Increased non-resident delegate days at the VCEC⁽ⁱ⁾

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10
139,283	173,547 ⁽ⁱⁱ⁾	152,000	147,119	168,000	230,000 ⁽ⁱⁱⁱ⁾

⁽ⁱ⁾ Per KPMG 2002, a “non-resident delegate” is a delegate originating from (or normally residing) outside of the Province of British Columbia. “Non-resident delegate days” is the aggregate number of days that all non-resident delegates attend events at the VCEC in some specified period (normally a year).

⁽ⁱⁱ⁾ Delegate attendance in Fiscal 2006/07 was increased with the occurrence of the World Urban Forum: an international event that focused on urbanization and its impact on world communities.

⁽ⁱⁱⁱ⁾ Non-resident delegate attendance will increase in Fiscal 2009/10 with the opening of the VCEC expansion. Attendance numbers do not include media for the 2010 Olympic and Paralympic Winter Games, which are contracted to occupy the expansion portion of the VCEC from September 2009 to March 2010, as well as the existing facility from late November 2009 to March 2010.

As the economic benefit generated by non-resident delegates represents “new” money coming into the BC economy, this is the first priority and primary performance indicator for the VCEC. Non-resident delegate days represent the product of the number of delegates from outside of the Province and the number of days they spend at events hosted at the VCEC.

Non-resident delegate days for Fiscal 2007/08 were marginally lower than forecast for the year as a result of fewer than anticipated non-resident delegates attending events.

The number of non-resident delegate days generated by VCEC events is an important performance measure as non-resident spending by persons attending convention events is significantly higher than that of leisure tourists, and this spending would not have otherwise occurred in the jurisdiction if the VCEC did not exist.

	VCEC	Centres with Less than 100,000 sq. ft. of Exhibit Space	National Markets
Hotel room nights ^(iv)	132,806	34,300	122,100

^(iv) Source: PricewaterhouseCoopers Annual Survey of North American Convention Centres (2007).

The total number of non-resident delegate days is a reasonable proxy for hotel room nights, as non-residents attending a convention are very likely to be using hotel accommodation during their stay.

The VCEC compares very favourably with other centres in this regard.

MEASURE**Increased attendance – BC Place (in thousands)**

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10 ⁽¹⁾
1,021	984	894	998	932	1,455

⁽¹⁾ During Fiscal 2009/10, some regularly scheduled events at BC Place will be displaced due to occupancy by VANOC in preparation for and during the staging of events for the 2010 Olympic and Paralympic Winter Games. Some of these events will be rescheduled after conclusion of the Games, either later in March 2010, or at the beginning of Fiscal 2010/11. Some other events will not occur for that year. Spectators at the Games will offset the decrease in attendance from the events that do not take place in Fiscal 2009/10. Economic benefit generated through activity at the 2010 Olympic and Paralympic Winter Games is not included in PavCo's benefits calculations, as it will be recorded elsewhere by Government.

As a multi-purpose facility, attendance at BC Place is a key measure that directly affects the success of the facility and its clients. Attendance drives the facility's food and beverage sales and is the foundation for sponsorship revenue generation. In Fiscal 2007/08, 37% of BC Place attendance was derived from professional football. BC Place ranked second in regular season attendance in the Canadian Football League behind only Edmonton. BC Place was occupied for 220 event days during Fiscal 2007/08 as a multi-purpose facility.

Goal 2 – Maintain and increase client services and satisfaction.

By increasing the satisfaction of our customers, PavCo's reputation as an organization capable of attracting and producing world-class events will drive future attendance levels. These increased attendance levels will further enable us to achieve our primary goal of maximizing economic benefit to British Columbia. Many of our guests from out-of-province spend extra time in the Province post event, and often return with their families as tourists at a later date.

Key Strategies

- Continue to provide a high level of service to support retaining our customers.
- Work with our industry partners to attract guests who will bring the greatest amount of benefits to the local and provincial economies.
- Promote our facilities as the preferred venues for client target markets.

MEASURE**Service quality survey scores**

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10
VCEC					
84%	84%	78%	89%	78%	75%
BC Place					
87%	92%	85%	85%	85%	85%

Quality surveys are conducted with clients and guests at both facilities to determine client expectations and satisfaction levels. Wherever possible, both facilities improve service levels as a result of feedback. The event business is very competitive, and client satisfaction is critical. Negative experiences can lead to clients failing to return or not recommending our facilities to other potential clients.

Service quality scores were expected to decline at the VCEC as a result of: noise and disruption from nearby construction (including both VCEC expansion and adjacent hotel development); work on transportation infrastructure; the deterioration of the VCEC's infrastructure as well as its fit and finish. However, declines have not been as significant as expected due to extraordinary customer service efforts by staff.

The client satisfaction scores at BC Place met target in Fiscal 2007/08. Client satisfaction is a measurement of all aspects of the client experience, from the overall condition of the facilities, to the availability and delivery of services, to costs. PavCo recognizes that it is far more difficult to replace clients than to keep them, and therefore endeavours to maintain and improve customer satisfaction. However, as the facility ages, it is increasingly difficult to deliver the quality of building and services that will satisfy clients and customers.

MEASURE**Percentage retention of existing business – BC Place**

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10 ⁽¹⁾
BC Place					
96%	96%	95%	95%	95%	75%

⁽¹⁾ Some major events will be displaced in Fiscal 2009/10 as a result of BC Place being used for the 2010 Olympic and Paralympic Winter Games. These events will be either rescheduled for a later date or cancelled for one year.

Most of the business at BC Place comes from a core group of regular clients. These clients depend on BC Place being able to provide fixed dates for their events well into the future.

Goal 3 – Maintain and improve the facilities under our management.

PavCo will maintain its facilities to the best standard possible within available means in order to attract new clients. Repair and improvement plans are being developed at both facilities, and work is underway to enhance targeted services. Upgrades to both properties will make them more competitive with other facilities and should result in an increase in overall occupancy and profitability.

A retrofit of the existing VCEC is anticipated after the expansion has opened, and details for refurbishing BC Place are being developed to bring the facility to acceptable standards for clients and guests.

The VCEC and BC Place will both be used for high-profile activities during the 2010 Olympic and Paralympic Winter Games.

Key Strategy

- Implement repair and maintenance plans to improve the facilities under our management.

MEASURE

Gross margin on events at BC Place

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance (per 2008/09 to 2010/11 Service Plan)	
2005/06	2006/07	Target	Actual	2008/09	2009/10
34%	35%	34%	37%	37%	27% ⁽¹⁾

⁽¹⁾ The overall margin reduction for Fiscal 2009/10 is due to the 2010 Olympic and Paralympic Winter Games, where most revenues will be from food services. Food services produce lower margins than some other revenue sources at the facility.

BC Place has improved its food services facilities in recent years. Also, the field turf continues to perform according to expectations. Fiscal 2007/08 gross margins were higher than in prior years due to football—which showed increased rent and lower cleaning costs—as well as the addition of some higher margin sporting and consumer shows.

Goal 4 – Increase innovation, learning, growth and development in our workforce.

We strive to keep our employees' skills at optimum levels so that they can participate in our operations in a professional and meaningful way. The new skills that they acquire through their learning activities will maintain PavCo as a leading organization for innovation and creativity in its industry sector. We monitor training activity and measure the rate of staff retention.

Key Strategies

- Continue to support staff development in required skill areas, building capacity and motivation to achieve our strategic goals.
- Implement a performance-contingent compensation system that attracts high performance staff.

MEASURE

Employee involvement at BC Place

Past Performance		2007/08 Performance (target per 2007/08 to 2009/10 Service Plan)		Future Performance ^{'''}	
2005/06	2006/07	Target	Actual	2008/09	2009/10
82%	80%	89%	78%	82%	80%

^{'''} Future performance targets for employee involvement set in the 2007/08 to 2009/10 Service Plan were 90% for Fiscal 2008/09, and 92% for 2009/10. These targets have been subsequently revised to reflect the tightening labour market and the difficulty to retain part-time event staff.

BC Place continues to experience low turnover on its full-time positions, but retaining part-time staff is becoming increasingly difficult.

There is a shortage of qualified trades people, and it is difficult and expensive to retain these staff. Event related part-time positions are difficult and costly to fill given the cyclical nature of the event schedule, staff having relatively few hours to work, and there being many other opportunities in the marketplace.

In the future, as more staff retire, a continued increase in turnover will occur. PavCo continues to seek a larger pool of event staff and to reduce turnover.

PROGRESS AGAINST SHAREHOLDER'S LETTER OF EXPECTATIONS

The Shareholder's Letter of Expectations between the Shareholder and PavCo is an agreement on the respective roles and responsibilities of each, and serves as the basis of an agreement between the parties regarding corporate mandate – including high-level performance expectations, public issues and strategic priorities.

The Shareholder's Letter of Expectations dated July 13, 2006 was the basis for the development of PavCo's Service Plan for the fiscal period 2007/08 to 2009/10. Included in this letter, PavCo was directed to take the following actions:

Action	Progress
Participate in a Shareholder led review of the governance model for future operations of the VCEC.	The Shareholder and Board of PavCo reviewed the governance options for the Corporation. The final recommendation was to amalgamate PavCo with Vancouver Convention Centre Expansion Project Ltd. This amalgamation took effect on April 1, 2008.
Develop minimum cost upgrade options, in conjunction with the BC 2010 Olympic and Paralympic Winter Games Secretariat, for refurbishing and funding the refurbishment of BC Place Stadium prior to the 2010 Winter Olympics, for presentation to the Shareholder.	PavCo continues to develop options for upgrades to BC Place for both the pre and post the 2010 Olympic and Paralympic Winter Games. VANOC has committed to provide \$3.8 million toward renovations for accessibility upgrades, exterior improvements and enhancements to improve ceremonies production.
Undertake a process to sell Bridge Studios based upon ongoing direction from the Shareholder.	The Bridge Studios was offered for sale under a Request for Proposals. The bid selected was from Larco Investments Ltd. and was for \$40.1 million. The sale was finalized on May 30, 2007.
Maximize private sector revenue for the public facilities owned/managed by the Corporation, and ensure revenues increase to cover expenditures.	PavCo has commenced a significant sales and marketing program that will ensure optimum occupancy of the expanded VCEC for 2010 and beyond. Initiatives are underway to upgrade BC Place to bring it to standards expected by clients and guests. This will be funded to the extent available through the development of BC Place lands.

FINANCIAL REPORT

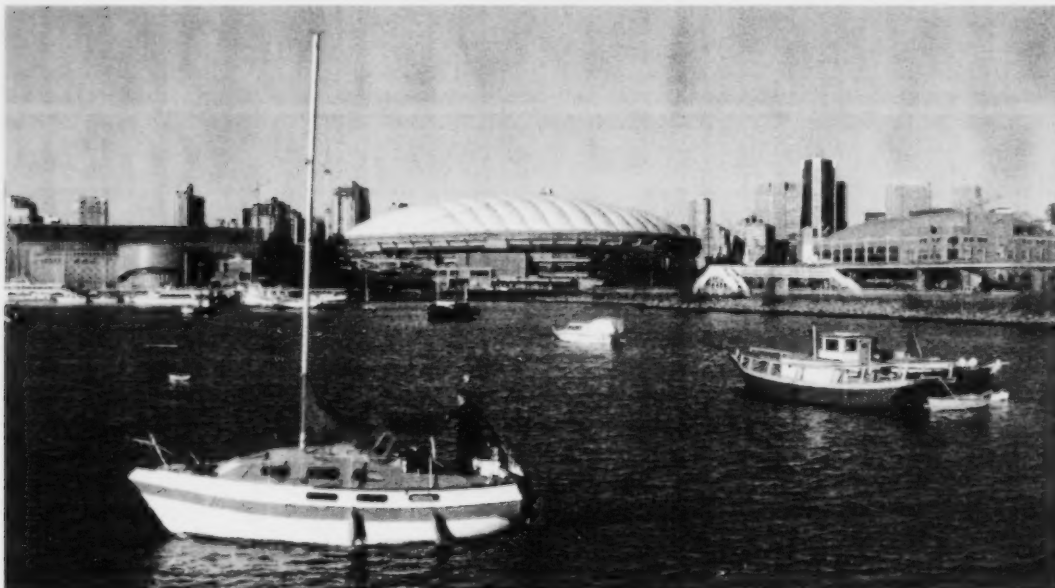
Management Discussion and Analysis

PavCo's continuing operations are the VCEC, BC Place and Corporate Services.

Effective April 1, 2008, PavCo amalgamated with Vancouver Convention Centre Expansion Project Ltd. The two companies have had a common Board and the same Shareholder since April 2007. As such, the amalgamation will reduce overhead costs and streamline processes as the expansion of the VCEC is completed and transitions to operations.

The event business is becoming increasingly competitive, as it brings significant revenues to the host cities. Worldwide, there is an increasing inventory of show facilities and space for rent, and intense competition by the cities to attract event business. With the completion of the VCEC expansion anticipated within a year, management sees significant opportunity to bring new business to British Columbia that will benefit all residents through increased spending activity by non-residents in the Province.

Both the VCEC and BC Place are over 20 years old and require upgrades to bring them up to industry standards. Renovation plans are underway for both facilities and will be implemented over the next five years – with renovations scheduled for non-peak show seasons where feasible.



Fiscal 2007/08 Financial Results

PavCo sold Bridge Studios in May 2007 and recorded a gain on sale of the property of \$33.2 million. Net income from the facility dropped to \$0.4 million for the period to May 30, 2007 – from the profitability for Fiscal 2006/07 of \$2.0 million – as a result of the sale.

In Fiscal 2007/08, PavCo lost \$8.4 million on operations prior to net income from Bridge Studios and Government contributions. This compares to losses of \$5.9 million in Fiscal 2006/07 and \$6.2 million in Fiscal 2005/06.

Revenues from operations and gross margin increased from the Fiscal 2006/07 results due to additional events being held at PavCo's facilities, the resulting profitability, and the interest earned on the proceeds from the sale of the Bridge Studios. Facility expenses also increased from the Fiscal 2006/07 results. These expenses include costs incurred for the BC Place refurbishment project; increased staffing costs due to negotiation of a collective agreement and new positions created in preparation for the opening of the VCEC expansion; more repairs and maintenance projects being carried out at the facilities; and depreciation on new assets purchased during the year.

Revenues from operations and gross margin also increased from the target for Fiscal 2007/08 due to unbudgeted interest income from the sale of Bridge Studios, unbudgeted event activity at the facilities, and higher revenues generated from contracted events. Facility expenses increased from the target as a result of the BC Place refurbishment project, staffing and reorganization expenses at the VCEC, and depreciation of additional assets purchased during the year.

Capital expenditures during the year were \$2.2 million. The largest portion of this was for improvements to BC Place, including audio video and television equipment replacement, building control systems, and kitchen and food service equipment upgrades.

Future Outlook

For Fiscal 2008/09, the target business revenues and margins for the VCEC and BC Place are expected to return to historical levels, as results for the past two years have included a series of large unbudgeted events and events where client spending has significantly exceeded expectations. Facility costs over the next year will rise as the VCEC prepares for the opening of its expansion.

Management is developing a supplementary sales and marketing program that will aggressively target new markets so as to optimize future occupancy of the expanded VCEC. Non-resident convention business attracts significant benefits to the economy, and competition for this business with other jurisdictions is intense as more convention centres expand.

Funding, Retained Earnings and Debt

PavCo receives cash funding from its Shareholder to cover the shortfall between revenues and expenses, and for capital improvements to its facilities. The funding requirement will increase for Fiscal 2008/09 onwards following the sale of the Bridge Studios, which has contributed financial profitability to PavCo since it was transferred to the organization in 1989. No cash funding was received in Fiscal 2007/08, as PavCo retained the profits on the sale of Bridge Studios.

Retained earnings at March 31, 2008 were \$26.6 million, compared to a deficit of \$2.1 million at March 31, 2007. The increase was due to the profitability on the sale of the Bridge Studios, partially offset by the loss on operations for the year.

PavCo carries a long-term, non-interest bearing debt of \$243,000 payable to BC Transportation Financing Authority. The debt is repayable over a ten-year term to 2011.

Comparison of Financial Results to Target and Prior Year Performance

	<u>2006/07 Actual</u>	<u>2007/08 Target</u>	<u>2007/08 Actual</u>	<u>Increase (decrease) from 2006/07</u>	<u>Explanation of Significant Variances from 2006/07</u>	<u>Increase (decrease) from Target</u>	<u>Explanation of Variances from 2007/08 Target</u>
Revenue	32,447	26,656	33,174	727	Additional large sporting events occurred during the year. Interest revenues on deposits from the sale of Bridge Studios were earned.	6,518	Unbudgeted large events occurred during the year. Interest revenues on deposits from the sale of Bridge Studios were earned.
Direct Costs	17,827	14,466	17,031	(796)	Lower costs based on change in business mix.	2,565	Incremental increase in costs of hosting the additional events.
Gross Margin	<u>14,620</u>	<u>12,190</u>	<u>16,143</u>				
Facility Expenses							
Staffing	7,381	7,713	8,508	1,127	Increase in salaried staff due to preparation for opening of the expansion to VCEC. Also the signing of a new collective agreement at BC Place.	795	Increase due to signing a new collective agreement, incentive payments and reorganization costs.
Operating	5,546	5,138	6,090	544	Higher building maintenance activity, and increased utility usage.	(448)	Lower repair and maintenance activity than projected.
General and Administration	1,894	1,988	2,019	125	Reduced cost recovers following the sale of the Bridge Studios.	31	
BC Place Redevelopment	-	-	2,074	2,074	Preliminary costs incurred to develop plans for the renovation of BC Place.	2,074	Redevelopment planning costs were unbudgeted.
Business Development	1,459	1,520	1,480	21		(40)	
Fees	1,136	817	1,050	(86)	Generally lower contract administration costs.	233	Higher than expected contract negotiation costs.
Depreciation	3,084	3,196	3,369	285	Depreciation charged on increased asset base.	173	Asset purchases and subsequent depreciation higher than expected.
	<u>20,500</u>	<u>21,772</u>	<u>24,590</u>				
Loss before other expenses	<u>(5,880)</u>	<u>(9,582)</u>	<u>(8,447)</u>				

Comparison of Financial Operating Results and Forecasts for Fiscal 2004/05 to 2010/11

B.C. Pavilion Corporation - Comparison of Financial Results and Targets (in \$'000)

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>
Revenue from operations	26,407	28,125	32,447	26,656	33,174	30,157	51,019	46,624
Direct Costs	14,371	15,200	17,827	14,466	17,031	15,658	22,266	24,680
Gross Margin	12,036	12,925	14,620	12,190	16,143	14,499	28,753	21,944
Facility Expenses								
Staffing	5,890	6,972	7,381	7,713	8,508	8,940	9,256	9,741
Operating	4,601	5,216	5,546	6,538	6,090	6,610	15,999	13,273
BC Place Redevelopment Costs	-	-	-	-	2,074	0	0	0
General and Administration	2,032	1,836	1,894	1,988	2,019	2,403	3,619	3,726
Business Development	1,265	1,285	1,459	1,520	1,480	1,615	1,622	1,659
Fees	776	1,185	1,136	817	1,050	1,394	1,041	1,127
Depreciation	1,888	2,590	3,084	3,196	3,369	3,741	7,651	11,009
	16,452	19,084	20,500	21,772	24,590	24,703	39,188	40,535
(Loss) Before Other Expenses	(4,416)	(6,159)	(5,880)	(9,582)	(8,447)	(10,204)	(10,435)	(18,591)
Other expenses								
Restructuring (costs) Recovery	357	-	-	-	-	-	-	-
Discontinued Operation (Bridge Studios)	943	1,910	2,004	-	391	-	-	-
Profit on Sale of Bridge Studios	-	-	-	-	33,178	-	-	-
Write Down BC Place Stadium	(75,000)	-	-	-	-	-	-	-
	(73,700)	1,910	2,004	-	33,569	-	-	-
Income (Loss) Before Government								
Contributions	(78,116)	(4,249)	(3,876)	(9,582)	25,122	(10,204)	(10,435)	(18,591)
Capital Projects	(1,999)	(3,561)	(3,853)	(2,027)	(2,251)	(12,985)	(19,000)	(19,700)

Note:

Source of Financial 2007/08 Targets is the 2007/08 to 2009/10 Service Plan, published February 2007.

Source of Financial 2008/09 to 2010/11 Targets is the 2008/09 to 2009/10 Service Plan, published February 2008.

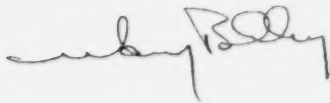
B.C. Pavilion Corporation

Statement of Management Responsibility

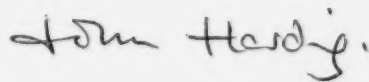
Management, in accordance with Canadian generally accepted accounting principles, has prepared the financial statements of *B.C. Pavilion Corporation*. These statements present fairly the financial position of the Corporation as at March 31, 2008 and results of its operations and cash flows for the year ended March 31, 2008.

Management is responsible for the preparation, integrity and objectivity of the financial statements. Systems of internal control are developed and maintained by management to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Report of the Auditor General outlines the scope of his work on the financial statements of *B.C. Pavilion Corporation*.



Warren Buckley
Chief Executive Officer



John Harding
Chief Financial Officer

Vancouver, British Columbia
May 9, 2008



Report of the
Office of the Auditor General
of British Columbia

To the Members of the Board of Directors of the
B.C. Pavilion Corporation, and

To the Minister of Tourism, Sport and the Arts
Province of British Columbia:

We have audited the balance sheet of the *B.C. Pavilion Corporation* as at March 31, 2006 and the statements of operations and operations deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the *B.C. Pavilion Corporation* as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
April 28, 2006

Errol S. Price, CA
Deputy Auditor General

B.C. Pavilion Corporation

Balance Sheet

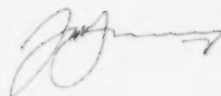
(in \$000s)

March 31	2008	2007
Assets		
Current		
Cash and cash equivalents (Note 4)	39,702	8,532
Accounts receivable	2,487	2,245
Prepaid expenditures	1,032	508
Assets held for sale (Note 5)	-	5,525
	<u>43,221</u>	<u>16,810</u>
Capital assets (Note 6)	51,684	52,802
	<u>94,905</u>	<u>69,612</u>
Liabilities		
Current		
Trade payables and accrued liabilities	5,205	6,125
Current portion of long-term debt (Note 7)	75	75
Unearned revenue	4,452	3,645
	<u>9,732</u>	<u>9,845</u>
Long-term		
Long-term debt (Note 7)	168	268
Unearned revenue	608	513
	<u>776</u>	<u>781</u>
	<u>10,508</u>	<u>10,626</u>
Shareholder's Equity		
Share capital (Note 9)	-	-
Contributed surplus	31,131	31,131
Deferred government contributions (Note 8)	26,669	29,929
Retained earnings	26,597	(2,074)
	<u>84,397</u>	<u>58,986</u>
	<u>94,905</u>	<u>69,612</u>

On behalf of the Board



Chair



Director

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Statement of Operations and Retained Earnings
(in \$000s)

Year Ended March 31	2008	2007
Revenues from operations (Note 10)	33,174	32,447
Direct costs	17,031	17,827
	<u>16,143</u>	<u>14,620</u>
Facility expenses		
Staffing	8,508	7,381
Operating	6,090	5,546
BC Place redevelopment (Note 16)	2,074	-
General and administration	2,019	1,894
Business development	1,480	1,459
Fees	1,050	1,136
Depreciation	3,369	3,084
	<u>24,590</u>	<u>20,500</u>
(Loss) on operations	(8,447)	(5,880)
Province of British Columbia contribution to operations	289	387
Amortization of deferred government contribution (Note 8)	3,260	3,489
	<u>(4,898)</u>	<u>(2,004)</u>
Loss before discontinued operations	(4,898)	(2,004)
Discontinued operations		
Net income from Bridge Studios (Note 5)	391	2,004
Gain on the sale of Bridge Studios	33,178	-
	<u>33,569</u>	<u>2,004</u>
Net income	28,671	-
Operations deficiency – beginning of year	(2,074)	(2,074)
Retained earnings (operations deficiency) – end of year	<u>26,597</u>	<u>(2,074)</u>

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Statement of Cash Flows
(in \$000s)

Year Ended March 31	2008	2007
Operations		
(Loss) on operations	(8,447)	(5,880)
Items not involving cash		
Depreciation	3,369	3,084
Unearned revenue	902	(233)
Change in non-cash operating working capital (Note 11)	3,839	5,273
	<u>(337)</u>	<u>2,244</u>
Net income from Bridge Studios (Note 5)	<u>391</u>	<u>2,004</u>
Cash provided by (used in) operations	<u>54</u>	<u>4,248</u>
Investing		
Capital asset additions	(2,251)	(3,853)
Gain on the sale of Bridge Studios	33,178	-
(Decrease) in long-term debt	(100)	(100)
Cash provided by (used in) investing activities	<u>30,827</u>	<u>(3,953)</u>
Financing		
Contributions from the Province of British Columbia	289	5,010
Cash provided (used in) by financing activities	<u>289</u>	<u>5,010</u>
Net increase in cash and cash equivalents	31,170	5,305
Cash and cash equivalents – beginning of year	<u>8,532</u>	<u>3,227</u>
Cash and cash equivalents – end of year (Note 4)	<u>39,702</u>	<u>8,532</u>

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

1. Authority and purpose

B.C. Pavilion Corporation (PavCo) was incorporated under the laws of British Columbia on May 3, 1984. The mandate of PavCo is to generate economic and community benefit for the people of British Columbia through the management of public tourism and cultural facilities.

PavCo owns and operates BC Place and operates the Vancouver Convention & Exhibition Centre under a separate agreement with Canada Place Corporation.

PavCo is exempt from income taxes under the Income Tax Act as it is wholly owned by the Province of British Columbia.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital assets

Capital assets funded through contributions by the Province of British Columbia are recorded at cost less accumulated depreciation.

Capital assets funded by the Government of Canada are recorded at cost, net of the related contributions and less accumulated depreciation.

Capital assets contributed by other parties in exchange for services are recorded at their fair value less accumulated depreciation.

Assets are depreciated over their estimated useful lives to PavCo:

Buildings and improvements	10 to 50 years, straight line
Furniture	5 years, straight line
Computer equipment	3 years, straight line
Leasehold improvements	over the shorter of the estimated useful life of the improvement and the term of the lease
Motor vehicles	30% per annum, declining balance
Equipment and other capital assets	1 to 10 years, straight line

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

2. Summary of significant accounting policies (continued)

Government funding

Funding received from the Province of British Columbia is recognized as deferred government contributions when received and is then recorded as recoveries to the extent operating expenses exceed revenues.

Funding for depreciable capital assets is recorded as deferred government contributions and is recognized as a recovery in the statements of operations equal to the depreciation charged on the related capital assets.

Funding for acquisition of non-depreciable capital assets, such as land, is recorded as contributed surplus.

Revenue recognition

Revenue from events at BC Place and the Vancouver Convention & Exhibition Centre is recognized on the completion of the events. Amounts received in advance of event completion are recorded as unearned revenue.

Contra-transactions

Unearned revenue resulting from contra-transactions, such as the exchange of goods or services for advertising, is amortized over the term of the services contract.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions based on information available. Such estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from the amounts estimated.

Environmental expenses

Under the current legislation responsibility for site cleanup rests with the polluter. Environmental expenditures incurred as a result of the ongoing business activities of PavCo are expensed as appropriate.

Foreign currency transactions

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

2. Summary of significant accounting policies (continued)**Impairment of long-lived assets**

PavCo reviews capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting standard CICA Handbook Section 3063 "Impairment of Long-Lived Assets". An impairment loss is recognized when the carrying amount of an asset that is held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available.

Related parties

PavCo is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities considered to be in the normal course of operations, are recorded at the exchange amounts, predominantly under prevailing trade terms.

New accounting policies

Effective April 1, 2007 PavCo adopted two new accounting standards, CICA Handbook Section 1530 "Comprehensive Income" and Section 3855 "Financial Instruments - Recognition and Measurement". These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

Comprehensive income

Section 1530 requires the presentation of comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholder's equity and includes items such as unrealized gains and losses on financial assets classified as available for sale.

Financial Instruments – recognition and measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets and financial liabilities including derivatives are measured in the balance sheet at fair value, except for loans and receivables, and other financial liabilities, which are measured at amortized cost.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

2. Summary of significant accounting policies (continued)

PavCo has designated its financial instruments as follows:

Cash is classified as financial assets held for trading. Due to its nature, the carrying value equals its fair value. Investments are classified as held for trading and are carried at fair value with the changes in fair value recorded in revenues from operations. Gains and losses realized on the disposal of held for trading securities, along with interest are recorded in revenues from operations. Accounts receivable are measured at amortized cost.

Accounts payable are also recorded at amortized cost.

It is management's opinion that PavCo is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Short-term investments

Short-term investments consist of units in the Province of British Columbia Pooled Investment Portfolios. The investments are held in Canadian Money Market funds and are receivable on demand. The units are carried at fair value as of the statement date. Income attributed to the units represents the unit holder's share of the interest earned by the Portfolio and may be realized upon the sale of the units.

3. Subsequent events

On April 1, 2008 B.C. Pavilion Corporation (PavCo) amalgamated with Vancouver Convention Centre Expansion Project Ltd. (VCCEP), to form a new corporation. The newly formed corporation under the *British Columbia Business Corporations Act* is named B.C. Pavilion Corporation.

PavCo, VCCEP and B.C. Pavilion Corporation are all related by virtue of common ownership and control. All assets, liabilities and equities were transferred to the new B.C. Pavilion Corporation at the carrying values on April 1, 2008.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

Based on the March 31, 2008 audited numbers for PavCo and VCCEP the balance sheet of the amalgamated corporation will be as follows:

	<u>VCCEP</u>	<u>PavCo</u>	<u>Combined</u>
Current assets	94,890	43,221	138,111
Capital assets	526,966	51,684	578,650
Liabilities	54,946	10,508	65,454
Deferred contributions	293,302	26,669	319,971
Contributed surplus	272,500	31,131	303,631
Retained earnings	1,108	26,597	27,705

4. Cash and cash equivalents

PavCo considers deposits in banks and investments with original maturities of three months or less as cash and cash equivalents.

Fair value	<u>2008</u>	<u>2007</u>
Cash	757	3,230
Investments	<u>38,945</u>	<u>5,306</u>
	<u>39,702</u>	<u>8,536</u>
Book value of investments		
Cash	757	3,230
Investments	<u>38,831</u>	<u>5,302</u>
	<u>39,588</u>	<u>8,532</u>

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

5. Discontinued operations

On May 30, 2007 the assets associated with the operations known as Bridge Studios were sold for \$40.1 million. The sale of Bridge Studios will result in a reduction of revenues, expenses and net income for PavCo.

Comparative financial results for Bridge Studios are:

Year Ended March 31	2008	2007
Revenues from operations	812	4,764
Direct costs	60	383
	752	4,381
Facility expenses		
Staffing	68	359
Operating	120	999
General and administration	64	325
Business development	7	41
Fees	4	59
Depreciation	98	594
	361	2,377
Net income	391	2,004

6. Capital assets

Capital assets by facility

	2008		2007	
	Carrying Cost	Accumulated Depreciation	Net Book Value	Net Book Value
BC Place	100,561	50,707	49,854	51,103
Vancouver Convention & Exhibition Centre	8,498	6,695	1,803	1,657
Corporate Office	76	49	27	42
	109,135	57,451	51,684	52,802

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

6. Capital assets (continued)

Capital assets by type	2008		2007	
	Carrying Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land (BC Place)	29,818	-	29,818	29,818
Buildings & Improvements	56,249	39,890	16,359	17,454
Equipment	19,979	14,967	5,012	4,926
Computer Equipment	1,714	1,326	388	471
Furniture	1,375	1,268	107	133
	109,135	57,451	51,684	52,802

Management performed an impairment test using the undiscounted future cash flows for the operations of BC Place, which indicated that the net book value exceeded the current and future projected cash flows from operations of the facility at March 31, 2005. The recoverable amount of the capital asset was written down to its estimated fair value, resulting in an impairment charge of \$75 million during fiscal 2005.

PavCo has a lease agreement with Canada Place Corporation relating to Vancouver Convention & Exhibition Centre. The lease is for a 20-year term, at nominal annual rent, and PavCo is responsible for all operating costs. As the lease term represents the full economic life of the asset it is included in the capital assets of the Corporation.

7. Long-term debt

	2008	2007
British Columbia Transportation Financing Authority	243	343
Less: Current portion	75	75
	168	268

The long-term non interest bearing debt is repayable over a ten year term to 2011. The minimum amount payable each year is \$75 thousand.

B.C. Pavilion Corporation
Notes to the Financial Statements - March 31, 2008
(tabular amounts in \$000s)

8. Deferred government contributions

	2008	2007
Balance, beginning of year	29,929	28,795
Contributions received from the Province of British Columbia during the year	289	5,010
	30,218	33,805
Allocations during the year		
Operations	(289)	(387)
Offset to depreciation	(3,260)	(3,489)
Balance, end of year	26,669	29,929

9. Share capital

PavCo has authorized capital of 10,000 common shares without par value of which one share is issued and outstanding. The Minister of Tourism, Sport and the Arts holds the share issued as the designated representative of Her Majesty the Queen in right of the Province of British Columbia.

10. Revenue from operations by business segment

Year Ended March 31	2008	2007
Vancouver Convention & Exhibition Centre	18,122	19,106
BC Place	13,298	13,054
Corporate Office ⁽¹⁾	1,754	287
	33,174	32,447

⁽¹⁾ Corporate Office revenues

	2008	2007
Accumulated unrealized gain on investments April 1, 2007	-	-
Transitional adjustment	4	-
Unrealized gain on investments at April 1, 2007 restated	4	-
Unrealized gain on available-for-trade investments	110	-
Accumulated unrealized investment income	114	-
Realized interest income on cash and investments	1,640	287
Total Corporate Office revenue	1,754	287

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

Effective April 1, 2007, PavCo adopted a new accounting standard (Note 2), CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement".

This accounting policy change was adopted on a prospective basis with no restatement of prior period financial statements. In accordance with transitional rules resulting from this change in accounting policy, a one-time transitional adjustment of \$4 thousand has been applied to the opening balance of accumulated unrealized gain on investments to account for the difference between the carrying value and fair market value of investments as at April 1, 2007.

11. Change in non-cash operating working capital

	2008	2007
Receivables	(242)	97
Due from Province of British Columbia	-	2,277
Prepays	(524)	54
Assets held for sale	5,525	526
Trade payables and accrued liabilities	(920)	2,319
	<u>3,839</u>	<u>5,273</u>

12. Intangible rights

PavCo has had interests in two properties that have been sold or transferred to third parties. Under the terms of the transfer agreements, PavCo could have rights to further income or property at some future date if these or other adjacent properties are developed or sold.

The first relates to a parcel of land adjacent to BC Place that was transferred to a developer for future exchange for another piece of land of approximate size. If the adjacent land is subdivided or developed, then PavCo will receive the land exchange, otherwise, PavCo will receive cash compensation of approximately \$150 thousand.

The second relates to a parcel of land in Surrey, British Columbia, that, if the land were to be sold or redeveloped before March 2016, then PavCo would receive three fifths of the sales proceeds of the land over \$1.1 million. No estimate is available of the current value of the land or of the intention of the owner to dispose of it at this time.

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

13. Environmental costs

PavCo and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that may exist at its facilities. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to PavCo.

14. Related party transactions

PavCo has the following related party transactions during the year, all of which were considered to be in the normal course of operations, and recorded at the exchange amount:

	2008	2007
Capital and operating funding	-	5,000
Signing bonus	289	10
Revenues from operations	417	488
Amounts included in accounts receivable	28	2
Payments for office and professional services	1,665	1,819
Amounts included in accounts payable and accrued liabilities	-	47
Repayment of long-term debt	100	100

15. Employee benefits plan

PavCo and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension (Plan) is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary determined that an increase in contribution rates of 1.88% each, for plan members and employers, was necessary in order for the Plan to maintain its long-term financial soundness and thus its ability to meet the pension promise made to plan members. The trustees therefore increased contributions effective April 1, 2006.

Contributions to the Plan by PavCo for fiscal 2008 were \$580 thousand (2007 - \$586 thousand).

B.C. Pavilion Corporation

Notes to the Financial Statements - March 31, 2008

(tabular amounts in \$000s)

16. BC Place redevelopment

During the year \$2.074 million was spent on investigative costs for replacement of the roof of BC Place, upgrades to the facility and the comprehensive redevelopment of its lands. Subsequent to year-end, a further \$2.239 million was committed on revitalization and feasibility studies for BC Place.

17. Comparative numbers

Certain comparative numbers have been restated to conform to the financial statement presentation used in the current year.

INFORMATION ON OPERATING SEGMENTS (UNAUDITED)

Vancouver Convention & Exhibition Centre

Comparison of Financial Results and Targets (in \$000)

	<u>2004/05</u> <u>Actual</u>	<u>2005/06</u> <u>Actual</u>	<u>2006/07</u> <u>Actual</u>	<u>2007/08</u> <u>Target</u>	<u>2007/08</u> <u>Actual</u>	<u>2008/09</u> <u>Target</u>	<u>2009/10</u> <u>Target</u>	<u>2010/11</u> <u>Target</u>
Revenue	16,913	15,344	19,106	15,412	18,122	16,609	29,449	32,349
Direct Costs	9,101	8,297	10,688	8,475	10,004	9,229	8,714	17,137
Gross Margin	7,812	7,047	8,418	6,937	8,118	7,380	20,735	15,212
Facility Expenses								
Staffing	2,667	3,329	3,729	3,963	3,786	4,326	4,425	4,791
Operating	2,883	2,865	3,114	3,118	3,425	3,312	12,179	9,453
General and Administration	1,179	987	1,090	1,098	1,101	1,224	2,384	2,466
Business Development	1,026	1,001	1,254	1,271	1,264	1,271	1,322	1,349
Fees	378	687	480	314	404	420	416	527
	8,133	8,869	9,667	9,764	9,980	10,553	20,726	18,586
Income (Loss) Before Other Expenses	(321)	(1,822)	(1,249)	(2,827)	(1,862)	(3,173)	9	(3,374)
Major Repairs and Capital Expenditures	(638)	(704)	(1,079)	(667)	(761)	(1,805)	(2,670)	(5,470)
Subsidy Requirement Before Depreciation	(959)	(2,526)	(2,328)	(3,694)	(2,623)	(4,978)	(2,661)	(8,844)

Note:

Source of Financial 2007/08 Targets is the 2007/08 to 2009/10 Service Plan, published February 2007.

Source of Financial 2008/09 to 2010/11 Targets is the 2008/09 to 2010/11 Service Plan, published February 2008.

Significant variances between actual financial results for Fiscal 2006/07 and Fiscal 2007/08:

Revenue and gross margin were lower in Fiscal 2007/08 as the facility did not host an event the size of the largest event hosted during Fiscal 2006/07, a record breaking year for the facility. The gross margin percentages have remained constant year to year.

Staffing costs increased marginally as positions needed to manage the expansion and expanded facility were added. The full impact of these additions was mitigated by several positions that remained vacant during a portion of the year.

The increase in operating costs is the result of an increase in utilities costs and shared facility operating costs charged by the landlord, Canada Place Corporation.

Fees decreased as less legal advice was required for contract negotiations.

Significant variances between financial results Fiscal 2007/08 and target results for the year:

Revenues and gross margin were higher than forecast as a result of higher than expected occupancy at the facility. The direct costs of hosting these events increased proportionately to the increase in revenue.

Staffing expenses were lower than forecast as turnover and deferred hiring resulted in several positions remaining vacant for a significant portion of the year.

BC Place

Comparison of Financial Results and Targets (in \$000)

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>
Revenue	9,414	12,713	13,054	11,169	13,298	12,248	21,070	14,200
Direct Costs	5,270	6,903	7,139	5,991	7,027	6,429	13,552	7,543
Gross Margin	4,144	5,810	5,915	5,178	6,271	5,819	7,518	6,657
Facility Expenses								
Staffing	2,858	3,216	3,209	3,275	3,776	3,537	3,731	3,850
Operating	1,718	2,349	2,432	3,420	2,665	3,298	3,820	3,820
Renovation Costs	-	-	-	-	2,074	-	-	-
General and Administration	944	961	1,065	1,055	1,115	1,150	1,200	1,200
Business Development	233	282	203	248	210	324	275	285
Fees	238	322	448	303	386	749	400	350
	5,991	7,130	7,357	8,301	10,226	9,058	9,426	9,505
Income (Loss) Before Other Expenses	(1,847)	(1,320)	(1,442)	(3,123)	(3,955)	(3,239)	(1,908)	(2,848)
Major Repairs and Capital Expenditures	(1,361)	(2,840)	(2,735)	(1,150)	(1,486)	(11,150)	(16,300)	(14,200)
Subsidy Requirement Before Depreciation	(3,208)	(4,160)	(4,177)	(4,273)	(5,441)	(14,389)	(18,208)	(17,048)

Note:

Source of Financial 2007/08 Targets is the 2007/08 to 2009/10 Service Plan, published February 2007.

Source of Financial 2008/09 to 2010/11 Targets is the 2008/09 to 2010/11 Service Plan, published February 2008.

Significant variances between financial results Fiscal 2006/07 and Fiscal 2007/08:

Revenues and gross margin were higher as a result of increased event activity and attendance.

Staffing costs were higher due in part to signing of a new collective agreement, which encompasses the 2010 Olympic and Paralympic Winter Games period.

Renovation-related consulting and engineering costs were incurred in the current year.

Significant variances between financial results Fiscal 2007/08 and target results for the year:

Revenues and gross margins benefited from the addition of successful spectator events and a new consumer show.

Staffing costs were higher due to the signing of a new collective agreement.

Operating costs savings resulted from delayed expenditures of larger maintenance projects.

The renovation costs resulted in a large negative variance.

Bridge Studios (sold May 2007)

Comparison of Financial Results and Targets (in \$000)

	<u>2004/05</u> <u>Actual</u>	<u>2005/06</u> <u>Actual</u>	<u>2006/07</u> <u>Actual</u>	<u>2007/08</u> <u>Target</u>	<u>2007/08</u> <u>Actual</u>	<u>2008/09</u> <u>Target</u>
Revenue	3,352	4,503	4,764	-	812	-
Direct Costs	297	404	383	-	60	-
Gross Margin	3,055	4,099	4,381	-	752	-
Facility Expenses						
Staffing	275	339	359	-	68	-
Operating	809	841	999	-	121	-
General and Administration	287	287	325	-	64	-
Business Development	34	32	41	-	7	-
Fees	28	116	59	-	4	-
	1,433	1,615	1,783	-	264	-
Income (Loss) Before Other Expenses	1,622	2,484	2,598	-	488	-
Major Repairs and Capital Expenditures	(66)	(136)	(66)	-	-	-
Contribution (Subsidy) Before Depreciation	1,556	2,348	2,532	-	488	-

As the facility was sold in May 2007, the financial results are for two months.

No financial targets were included for Fiscal 2007/08 as a result of the decision to sell the facility.

HIGHLIGHTS

Event highlights during the year ended March 31, 2008

VCEC

317 Events



Highlights:

- 19th IUHPE World Conference on Health Promotion and Education
- World Confederation for Physical Therapy 2007 World Congress
- Globe 2008
- 2007 Licensing Executives Society Annual Meeting
- Society for American Archaeology 2008 Annual Meeting
- International Society for Prosthetics and Orthotics World Congress
- Canadian Diabetes Association
- BMC UserWorld 2007
- Confidential Corporate National Sales Meeting

BC Place

57 Events – 220 Event Days



Highlights:

- BC Lions Regular Season Football
- CFL Western Division Final
- Vancouver Gift Show
- Boccia World Cup 2007
- Vancouver Whitecaps vs LA Galaxy
- Pacific International Auto Show
- BC Home and Garden Show
- Vancouver International Boat Show
- The Green Living Show
- Vancouver Home and Interior Design Show
- MonsterJam / Motorspectacular

APPENDIX 1
Comparison of New and Old Performance Measures and Source of Data

GOAL	Measures per 2007/08 to 2009/10 Service Plan	Measures per 2008/09 to 2010/11 Service Plan	Reason for change in measures	Source of data
1. Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder.	Comparison of net economic benefits generated through operations	Same		The VCEC bases estimates on (a) detailed surveys of client, delegate and production spending for each event, and (b) economic impact estimates calculated through the BC Stats Input/Output model. BC Place bases estimates on the BC Stats Input/Output model, using visitor, exhibitor and producer numbers for those attending events. The 2008/09 to 2010/11 Service Plan has been expanded to include a comparison of Gross Domestic Product from events at the VCEC and the impact from all spending at BC Place.
	Comparison of contribution (subsidy) on operations (before depreciation) – BC Place and the VCEC	Same		The amounts are generated from financial data used to compile audited statements.
	Comparison of revenues – Bridge Studios	Measure removed	Bridge Studios was sold during the year.	
	Comparison of non-resident delegate days – VCEC	Same		Actual delegate days are the number of out-of-province delegates, as supplied by show managers and tracked through the Corporate Event Management System. Estimates for future years are derived from data provided through the Corporate Event Management System.
	Comparison of year-over-year attendance – BC Place	Same		The data is generated from the ticket count of visitors at spectator events and the floor count of visitors at other BC Place events.

GOAL	Measures per 2007/08 to 2009/10 Service Plan	Measures per 2008/09 to 2010/11 Service Plan	Reason for change in measures	Source of data
2. Maintain and increase client services and satisfaction.	Score on client satisfaction surveys – BC Place and the VCEC	Same		Data is derived from surveys sent to clients post-event.
	Retention of existing business – BC Place	Same		The data includes the count of recurring major events for the year compared with the number of events in the previous year.
3. Maintain and improve the facilities under our management.	Margin per event (excluding football) – BC Place	Same		The margin per event and event type is tracked through the financial system.
	Measure of facility occupancy – Bridge Studios	Measure removed	Bridge Studios was sold during the year.	
4. Increase innovation, learning, growth and development in our workforce.	Employee retention – BC Place	Same		Data is collected from Human Resources files. Retention is based on the percentage of active staff on payroll at the end of each year, as compared to staff at the beginning of the year, plus recruits during the year.

The actual results for the Fiscal Year ended March 31, 2008 – which are compared to targets and reported in the Report on Performance – are measured against the targets that were set in the 2007/08 to 2009/10 Service Plan, published in February 2007. The targets shown for Future Performance are from the 2009/10 to 2010/11 Service Plan, published in February 2008. Some of the estimates have changed from the respective Service Plans as a result of more detailed information becoming available on event bookings, their subsequent effect on attendance, and the ultimate financial and other returns from the operating facilities.

CONTACT INFORMATION

CORPORATE SERVICES

19th Floor – 999 West Hastings Street
Vancouver, BC V6C 2W2

Tel: (604) 484-5200
Fax: (604) 484-5154
Email: info@bcpavco.com
Web: www.bcpavco.com

BC PLACE STADIUM

777 Pacific Boulevard
Vancouver, BC V6B 4Y8

Tel: (604) 669-2300
Fax: (604) 661-3412
Web: www.bcplace.com

VANCOUVER CONVENTION & EXHIBITION CENTRE

200 – 999 Canada Place
Vancouver, BC V6C 3C1

Tel: (604) 689-8232
Fax: (604) 647-7232
Web: www.vcec.ca



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